

Worksession

Agenda Item #	5
Meeting Date	December 3, 2007
Prepared By	Linda S. Perlman Assistant City Attorney and Barbara B. Matthews City Manager
Approved By	

Discussion Item	Takoma Junction Loan (Possible Resolution Authorizing Note Extension)
Background	<p>On September 15, 1995, the City purchased an approximately 1.44 acre parcel of property in Takoma Junction. This purchase was financed by the issuance of "The Council of the City of Takoma Park General Obligation Bond of 1995" in the original principal amount of \$315,000.00. The General Obligation Bond of 1995 had a maturity date of September 15, 2015 (20 years from the original issue date) and was sold to Nations Bank, N.A., which is now Bank of America, N.A. The City signed a Promissory Note Evidencing Bond Obligation which provided that the entire Note balance, both principal and unpaid interest, was due in full on September 15, 1998 (3 years), unless extended by the Bank in accordance with the terms of the General Obligation Bond of 1995. The Note Evidencing Bond Obligation was subsequently extended for additional three-year terms in 1998, 2001, and 2004.</p> <p>The current Extension Note Evidencing Bond Acquisition expired on September 15, 2007. Bank of America, N.A. has agreed to extend the Note for an additional three years to September 15, 2010. The Note payment terms will remain as provided in the General Obligation Bond of 1995; that is, a principal payment of \$20,166.67 on September 15th of each year and monthly interest payments on the unpaid principal balance due on the last day of each calendar month. However, Bank of America, N.A. is increasing the interest rate on the 2007 Extension Note from the 2004 Note rate of 5.98% to 6.79% per annum. The Extension Note would not constitute new debt, but rather be a continuation of the City's obligation under the General Obligation Bond of 1995.</p> <p>At this juncture, the City Council can elect to extend the Note for an additional three years to September 15, 2010 or it can choose to pay off the Note.</p>
Policy	<p>Council approval is required to extend the Note for an additional three years.</p> <p>Should the Council choose to pay off the Note, a budget amendment will be required to appropriate the necessary funds. The Code of the City of Takoma Park requires budget amendments to be approved by a two-reading ordinance.</p>
Fiscal Impact	<p>The FY08 budget assumed the extension of the Note. The Debt Service Division of the budget includes \$35,000 for payment of principal and monthly interest.</p> <p>Through December 3, 2007, the payoff amount is \$156,410.15; the per diem interest cost is approximately \$26 for each day thereafter. A budget amendment would be required to transfer funds from the unappropriated reserve to pay off the Note.</p>
Attachments	Resolution authorizing three-year extension of Note with Bank of America, N.A.

Recommendation	Staff recommends that the City Council authorize the payoff of the Note. The City has the funds required for the transaction, and the City can avoid unnecessary interest costs.
Special Consideration	Should the Council authorize the payoff of the note, a budget amendment would be required. It would be submitted to the Council at the earliest opportunity following the December recess.

Introduced By:

**CITY OF TAKOMA PARK, MARYLAND
RESOLUTION NO. 2007-__**

**A Resolution Authorizing an Extension Note with Bank of America, N.A.
for the Takoma Junction Loan.**

- WHEREAS, on September 15, 1995, the City issued a bond, known as "The Council of the City of Takoma Park General Obligation Bond of 1995," in the original principal amount of \$315,000.00 and sold such bond, by private negotiated sale, to NationsBank, N.A. (now Bank of America, N.A.) as registered owner ("Bank"); and,
- WHEREAS, the bond proceeds were used by the City to acquire approximately 1.44 acres of real property located generally between 201 Ethan Allen Avenue and 7221 Carroll Avenue in the area of the City known as Takoma Junction; and,
- WHEREAS, although the maturity date of the General Obligation Bond of 1995 is September 15, 2015, the Promissory Note Evidencing Bond Acquisition signed by the City and setting forth the terms the bond repayment terms provided that the unpaid principal balance and accrued and unpaid interest was due in full in three years (*i.e.*, by September 15, 1998), unless extended by the Bank; and
- WHEREAS, the City adopted Resolution No. 1998-47 extending the due date of the Note Evidencing Bond Acquisition to September 15, 2001; Resolution No. 2001-77 extending the due date of the Note Evidencing Bond Acquisition to September 15, 2004; and Resolution No. 2004-54 extending the due date of the Note Evidencing Bond Acquisition to September 15, 2007; and,
- WHEREAS, the Bank has agreed with the City to further extend the due date of the Note Evidencing Bond Acquisition for an additional three year period to September 15, 2010, on the same terms and conditions as set forth in the General Obligation Bond of 1995, except that the interest rate charged on the unpaid principal balance will be increased to approximately 6.79% per annum; and,
- WHEREAS, the remaining principal amount due on General Obligation Bond of 1995 is \$156,333.31 and the City makes a principal payment of \$20,166.67 on September 15th of each year and monthly interest payments on the unpaid principal balance in arrears on the last day of each calendar month; and,
- WHEREAS, the extension of the due date of the Note Evidencing Bond acquisition to September 15, 2010 does not create any new debt and constitutes a continuation of the City's obligation under the General Obligation Bond of 1995.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF TAKOMA PARK, MARYLAND, THAT the City Manager is authorized to negotiate and approve the specific terms and conditions of an Extension Note Evidencing Bond Acquisition and to execute an Extension Note and all other necessary documents in order for the City to extend the due date of the Note with Bank of America, N.A. for the Takoma Junction loan for an additional three-year term.

THIS RESOLUTION IS ADOPTED BY THE COUNCIL OF THE CITY OF TAKOMA PARK, MARYLAND, THIS ____ DAY OF _____, 2007.

Attest:

Jessie Carpenter
City Clerk